Multiple Agency Fiscal Note Summary

Bill Number: 1091 3S HB PL	**Title:** Transportation fuel/carbon

Estimated Cash Receipts

Agency Name	2021-23			2023-25			2025-27		
	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total	GF-State	NGF-Outlook	Total
Office of Attorney General	0	0	170,000	0	0	0	0	0	0
Department of Ecology	0	0	342,258	0	0	1,601,339	0	0	1,601,339
Department of Ecology	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.								
Total $	**0**	**0**	**512,258**	**0**	**0**	**1,601,339**	**0**	**0**	**1,601,339**

Agency Name	2021-23		2023-25		2025-27	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	No fiscal impact					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2021-23				2023-25				2025-27			
	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total	FTEs	GF-State	NGF-Outlook	Total
Joint Legislative Audit and Review Committee	.0	14,200	14,200	14,200	.4	169,000	169,000	169,000	.4	273,900	273,900	273,900
Office of Attorney General	.6	0	0	170,000	.0	0	0	0	.0	0	0	0
Department of Commerce	Fiscal note not available											
Department of Revenue	Fiscal note not available											
Utilities and Transportation Commission	.2	0	0	52,252	.1	0	0	26,126	.1	0	0	26,126
Department of Licensing	.0	0	0	0	.0	0	0	0	.0	0	0	0
Department of Transportation	Non-zero but indeterminate cost and/or savings. Please see discussion.											
Department of Ecology	8.1	3,540,858	3,540,858	3,883,116	5.0	0	0	1,601,339	5.0	0	0	1,601,339
Department of Ecology	In addition to the estimate above,there are additional indeterminate costs and/or savings. Please see individual fiscal note.											
Department of Agriculture	Fiscal note not available											
Total $	**8.9**	**3,555,058**	**3,555,058**	**4,119,568**	**5.5**	**169,000**	**169,000**	**1,796,465**	**5.5**	**273,900**	**273,900**	**1,901,365**

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Expenditures

Agency Name	2021-23			2023-25			2025-27		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Office of Attorney General	.0	0	0	.0	0	0	.0	0	0
Department of Commerce	Fiscal note not available								
Department of Revenue	Fiscal note not available								
Utilities and Transportation Commission	.0	0	0	.0	0	0	.0	0	0
Department of Licensing	.0	0	0	.0	0	0	.0	0	0
Department of Transportation	.0	0	0	.0	0	0	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Department of Agriculture	Fiscal note not available								
Total $	0.0	0	0	0.0	0	0	0.0	0	0

Agency Name	2021-23			2023-25			2025-27		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Local Gov. Courts									
Loc School dist-SPI									
Local Gov. Other	No fiscal impact								
Local Gov. Total									

Estimated Capital Budget Breakout

Prepared by: Lisa Borkowski, OFM	Phone:	Date Published:
	(360) 902-0573	Preliminary 5/11/2021

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.0	0.0	0.0	0.4	0.4
Account					
General Fund-State 001-1	8,100	6,100	14,200	169,000	273,900
Total $	8,100	6,100	14,200	169,000	273,900

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/26/2021
Agency Preparation:	Jennifer Sulcer	Phone: 360-786-5181	Date: 04/27/2021
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 04/27/2021
OFM Review:	Gaius Horton	Phone: (360) 819-3112	Date: 04/29/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The bill directs the Department of Ecology (Ecology) to adopt a rule establishing a Clean Fuels Program (CFP) limiting the Green House Gas (GHG) emissions attributable to each unit of transportation fuel (carbon intensity) to 20 percent below 2017 levels by 2038. Ecology must reduce the GHG emissions attributable to each unit of the fuels not to exceed 0.5 percent each year in 2023 and 2024, 1 percent each year beginning in 2025 through 2027, 1.5 percent each year beginning in 2028 through 2031, and no change in 2032 and 2033. Beginning in 2028, the rules must not establish a reduction level beyond 10 percent of GHG emissions until Ecology demonstrates that certain metrics are met which includes the completion of the JLARC report in 2030.

The program must start January 1, 2023.

The bill has specific rule-making requirements including compliance monitoring and the ability to trade and bank credits.

The bill sets out several reporting requirements for Ecology including:

• Publishing annual reports beginning May 1, 2025 that includes information about credits and deficits, volumes of transportation fuel and mean prices per credit, estimated costs or savings, reductions in greenhouse gas emissions, and estimated cost per ton of emissions reductions.
• Publishing annual reports or other public documents or communications that refer to assumed public health benefits from the CFP that distinguish between pollutant reductions from the CFP and reductions primarily attributable to vehicle emission standards in its annual reports.
• Publishing and announcing in press releases an annual estimate of probable costs or cost savings per gallon of gasoline and diesel that can be attributed to the CFP.
• Contracting for an independent analysis each year through 2038 of the probable costs or cost savings to impute price impacts using multiple methodologies, which must be submitted to the Legislature by July 1, 2022.

Commerce must develop a periodic fuel supply forecast to project the availability of fuels and credits necessary for compliance with CFP requirements. Commerce, in coordination with Ecology, may appoint a forecast review team of relevant experts to participate in the forecast. This forecast must be finalized no later than 90 days before the start of a CFP compliance period.

Ecology must regularly monitor the availability of fuels needed for compliance and calculate the monthly volume-weighted average price of credits and post it on its website. Ecology must issue an order declaring a forecast deferral if the fuel supply forecast projects that the amount of credits available during the compliance period will be less than 100 percent of the credits projected to be necessary to comply with the CFP.

The bill allows certain fees to continue to be deposited in the Multimodal Transportation Fund if the low-carbon fuel standards follow explicit legislative authorization. To coordinate and synchronize the clean fuels program with other transportation-related investments, the department must not assign compliance obligations under this act or allow for any actual credit generation until a separate additive transportation revenue act becomes law. “Additive transportation revenue act" means an act enacted after April 1, 2021, in which the state fuel tax is increased by an additional and cumulative tax rate of at least five cents per gallon of fuel.

Except where inconsistent with specific statutory direction from the Legislature, Ecology's CFP rule must seek to coordinate with similar programs adopted by other states with significant amounts of transportation fuel supplied to or from Washington.
The Clean Fuels Program credit transactions are exempt from the state Business & Occupation Tax and provides that this exemption is not subject to the tax preference performance statement requirements.

The bill becomes null and void if not funded in the omnibus appropriations act.

JLARC ANALYSIS
Section 13 of the bill mandates a JLARC study to be completed by December 1, 2030. The study must analyze the impacts of the program over the initial five years, including:

- Costs and benefits, including environmental and public health benefits, for participants in the program or those most impacted by air pollution. The analysis must assess the costs and benefits of changes in :
  - o Levels of greenhouse gas emissions and criteria air pollutants.
  - o Fuel prices.
  - o Total employment in categories of industries generating credits or deficits.
- An evaluation of the information calculated and reported in the annual reports required of the Department of Ecology.
- A summary of estimated total statewide costs and benefits of the program, including state agency administrative costs and compliance costs of regulated entities.
- An evaluation of the impacts of the program on low-income households.
- The outcomes of proposals to biofuel facilities through the energy facility site evaluation council review process that is allowed by RCW 80.50.060(2).

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

JLARC assumes a two-phase approach to this audit. This fiscal note includes costs only for Phase 1. The cost of Phase 2 cannot be estimated until Phase 1 is complete.

The bill requires answering several complex questions about the costs and benefits of a low-carbon fuel standard from multiple perspectives. Such analyses require highly specialized skills, modeling, and knowledge.

- In Phase 1, JLARC staff will monitor the bill’s implementation. Staff also will work with consultants to develop methodologies for the required modeling and analysis to support the study and the estimated funding needed in Phase 2.
- In Phase 2, JLARC staff would contract with consultants to conduct analysis to support the study. That work would take place in calendar years 2028 through 2030.

Phase 1 details:
Beginning in fiscal year 2022, JLARC staff will work with the Department of Ecology (Ecology) to understand the processes, rules, and reporting structure it is using to implement the bill. JLARC staff will monitor implementation and data collection throughout phase I.

Beginning in fiscal year 2025, JLARC staff will begin contracting with consultants that have relevant expertise to help us identify the methods and data requirements for the full study. The consultants also will assist with monitoring implementation and reviewing reports and data produced by Ecology.

Beginning in fiscal year 2026, JLARC staff and the consultants will begin to assess available data sources and develop the potential methodologies for the full study. JLARC staff anticipate providing a briefing report to the Legislature in January 2027. This report will outline how the questions could be addressed and identify the funding needed for consultants to perform the required modeling and analysis to support the study.

JLARC estimates its costs to be divided between a) JLARC staff costs, and b) the costs associated with engaging external experts to assist JLARC staff in completing its assignment.

a) JLARC estimates its costs based on audit months (approximately $20,300 per audit month). JLARC estimates it will take 13 audit months to complete Phase 1 (monitoring implementation and working with consultants to develop the methodologies and costs to conduct the study in Phase 2). These audit months do not include Phase 2 completion of the required analysis, which will be conducted at a time beyond that covered by this fiscal note.

b) Consultant Costs: JLARC anticipates engaging consultant (s) to assist with developing methods and identifying the data requirements for the full study. Consultants also will be engaged to assist with reviewing data and program implementation during the initial five years of the program. We estimate consultant costs of $189,000. The reduction in estimated consultant costs from the prior version fiscal note is due to the study timeline being shifted outside the scope of this fiscal note.

JLARC assumes comparable consultant efforts and costs made available for previous studies, and estimated costs reflect JLARC's recent experience in contracting with external entities for similar work.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2021 LEGISLATIVE SESSION. BASED ON ALL LEGISLATION THAT IS PASSED, JLARC MAY SUBSEQUENTLY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS. HOWEVER, ADDITIONAL RESOURCES TO COVER CONSULTANT COSTS OF $189,000 WOULD NEED TO BE PROVIDED.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2021-23 costs are calculated at approximately $20,300 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	8,100	6,100	14,200	169,000	273,900
		Total $	8,100	6,100	14,200	169,000	273,900

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years				0.4	0.4
A-Salaries and Wages	5,100	3,800	8,900	77,500	81,300
B-Employee Benefits	1,600	1,200	2,800	24,400	25,600
C-Professional Service Contracts				45,000	144,000
E-Goods and Other Services	1,300	1,000	2,300	20,200	21,100
G-Travel	100	100	200	1,900	1,900
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	8,100	6,100	14,200	169,000	273,900

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Research Analyst	113,827				0.3	0.3
Support staff	77,705				0.1	0.1
Total FTEs					0.4	0.4

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 100-Office of Attorney General

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Legal Services Revolving Account-State 405-1	122,000	48,000	170,000		
Total $	122,000	48,000	170,000		

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.9	0.4	0.6	0.0	0.0
Account					
Legal Services Revolving Account-State 405-1	122,000	48,000	170,000	0	0
Total $	122,000	48,000	170,000	0	0

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/26/2021
Agency Preparation: Bruce Turcott	Phone: (360) 586-2738	Date: 05/03/2021
Agency Approval: Edd Giger	Phone: 360-586-2104	Date: 05/03/2021
OFM Review: Tyler Lentz	Phone: (360) 790-0055	Date: 05/04/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number , the significant provisions of the bill , and any related workload or policy assumptions , that have revenue or expenditure impact on the responding agency .

Section 1 is a statement of legislative findings.

Section 2 is a new section containing definitions.

Section 3 is a new section requiring Department of Ecology (ECY) to adopt rules to establish standards that reduce carbon intensity in transportation fuels used in Washington.

Section 4 is a new section containing criteria for rules adopted by ECY under Section 3.

Section 5 is a new section containing exemptions from the ECY rules for certain transportation fuels.

Sections 6-7 are new sections containing additional criteria for the ECY rules.

Section 8 is a new section requiring certain producers, importers, distributors, users, and retailers of transportation fuels to register with ECY and document transfer of ownership. ECY may adopt rules.

Section 9 is a new section requiring expenditure of revenues by electric utilities on transportation electrification.

Section 10 is a new section requiring ECY to post an annual report beginning May 1, 2025.

Section 11 is a new section requiring the Department of Commerce (COM) to consult with ECY, the Utilities and Transportation Commission (UTC), and the Department of Agriculture to develop a periodic fuel supply forecast.

Section 12 is a new section requiring ECY to issue orders declaring forecast deferrals.

Section 13 is a new section requiring ECY to issue orders declaring emergency deferrals.

Section 14 is a new section requiring ECY to adopt rules to establish a fee schedule. The clean fuels program account is created.

Section 15 is a new section requiring the Joint Legislative Audit and Review Committee conduct an analysis and submit a report to the legislature by December 1, 2030.

Section 16 adds a new section to chapter 82.04 RCW to exempt amounts received under the new chapter created in Section 29.

Section 17 amends RCW 80.50.020 to amend the definitions of “biofuel” and “energy plant.”

Section 18 amends RCW 80.50.060 to amend the applicability of chapter 80.50 RCW.

Section 19 amends RCW 46.17.365 to add criteria to the distribution of motor vehicle registration fees.

Section 20 amends RCW 46.25.100 to add criteria to the distribution of certain commercial driver’s license fees.

Section 21 amends RCW 46.20.202 to add criteria to the distribution of enhanced driver’s license and enhanced identicard fees.

Section 22 amends RCW 46.25.052 to add criteria to the distribution of commercial learner's permit fees.

Section 23 amends RCW 46.25.060 to add criteria to the distribution of certain commercial driver's license fees.

Section 24 amends RCW 70A.15.3150 to add criminal penalties for violations of the new chapter created in Section 29.

Section 25 amends RCW 70A.15.3160 to add civil penalties for violation of the new chapter created in Section 29.

Section 26 amends RCW 19.112.110 to provide that in the event of conflict with this section, the new chapter created in Section 29 prevails.

Section 27 amends RCW 19.112.120 to provide that in the event of conflict with this section, the new chapter created in Section 29 prevails.

Section 28 adds a new section to chapter 43.21A RCW requiring ECY to consult with the COM to recommend improvements to industrial permitting processes to limit greenhouse gas emissions.

Section 29 adds Sections 1-15 to a new chapter in title 70A RCW.

Section 30 provides the act is null and void if funding is not provided.

Section 31 is a severability section.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

Cash receipts are assumed to equal the Legal Services Revolving Account cost estimates. These will be billed through the revolving account to the client agency.

The client agency is the Department of Ecology. The Attorney General's Office (AGO) will bill all clients for legal services rendered.

These cash receipts represent the AGO's authority to bill and are not a direct appropriation to the AGO. The direct appropriation is reflected in the client agency's fiscal note. Appropriation authority is necessary in the AGO budget.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

Attorney General's Office (AGO) Agency Assumptions:

1. This bill is assumed effective 90 days after the end of the 2021 legislative session.

2. Total workload impact in this request includes standard assumption costs for good & services, travel, and capital outlays for all FTE identified.

3. Agency administration support FTE are included in the tables below, using a Management Analyst 5 as a representative classification.

4. The AGO Washington State University Division (AGO-WSU) has reviewed this bill and determined it will not increase or decrease the division's workload in representing Washington State University (WSU). New legal services

are nominal and costs are not included in this request.

Assumptions for the AGO Ecology Division's (AGO-ECY) Legal Services for the Department of Ecology (ECY):

1. The AGO will bill ECY for legal services based on the enactment of this bill.

2. In FY 2022:

A. 0.20 Assistant Attorney General (AAG) is assumed in advising ECY on rulemaking efforts to establish standards that reduce carbon intensity in transportation fuels under Section 3 (1), and to establish fees and payment schedules under Section 14(1). The rulemaking to establish carbon intensity standards under Section 3 (1) is anticipated to be a complex undertaking that will involve significant legal advice and AAG engagement.

B. 0.02 AAG is assumed in determining what constitutes "timely and applicable appeals" for energy facility siting, operating, and environmental permits as required by Section 3 (6)(b). In FY2023 and beyond, client advice related to this provision will be provided with existing resources.

C. 0.02 AAG is assumed in advising ECY on the requirements under Section 4 (8)(e) to implement remedies that address root causes of noncompliance; the enforcement restrictions under Section 4 (8)(f) regarding purchasers of invalidated credits; and the prohibition under Section 4 (8)(g) regarding disclosure of deficit balances and pro rata share purchase requirements. In FY 2023 and beyond, client advice related to the credit clearance market will be provided with existing resources.

D. 0.03 AAG is assumed in advising ECY on the requirements of Section 12 for the issuance of forecast deferral orders if the availability of fuel supplies is projected to be less than needed for compliance. Client advice will be necessary for ECY to establish a process for issuing forecast deferral orders, including the selection of methods to defer compliance. In FY 2023 and beyond, client advice related to forecast deferral orders will be provided with existing resources.

E. 0.03 AAG is assumed in advising ECY on the requirements of Section 13 for the issuance of deferrals to persons who are unable to comply. Client advice will be necessary for ECY to establish a process for requesting /deciding deferrals and any necessary guidance. In FY2023 and beyond, client advice related to any specific deferral request will be provided with existing resources.

F. 0.20 AAG is assumed in advising ECY on the requirements under Section 28 to recommend process improvements for siting and permitting energy facilities, identify strategies for minimizing and mitigating environmental impacts from those facilities, and issue guidance intended to improve project proposals. In FY2023 and beyond, client advice related to this Section will be provided with existing resources.

3. In FY 2023:

A. 0.20 AAG will be used in advising ECY on rulemaking efforts to establish standards that reduce carbon intensity in transportation fuels under Section 3 (1), and to establish fees and payment schedules under Section 14 (1). The rulemaking to establish carbon intensity standards under Section 3 (1) is anticipated to be a complex undertaking that will involve significant legal advice and AAG engagement.

4. Starting in FY 2024 and each FY after, legal services associated with the enactment of this bill are assumed nominal and will be provided with existing resources.

5. Total workload impact:
In FY 2022: 0.50 AAG and 0.25 Legal Assistant (LA) at a cost of $122,000.
In FY 2023: 0.20 AAG and 0.10 LA at a cost of $48,000.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
405-1	Legal Services Revolving Account	State	122,000	48,000	170,000	0	0
		Total $	122,000	48,000	170,000	0	0

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.9	0.4	0.6		
A-Salaries and Wages	78,000	32,000	110,000		
B-Employee Benefits	25,000	10,000	35,000		
E-Goods and Other Services	17,000	6,000	23,000		
G-Travel	1,000		1,000		
J-Capital Outlays	1,000		1,000		
Total $	122,000	48,000	170,000	0	0

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Assistant Attorney General	108,600	0.5	0.2	0.4		
Legal Assistant 3	54,108	0.3	0.1	0.2		
Management Analyst 5	88,644	0.1	0.1	0.1		
Total FTEs		0.9	0.4	0.6		0.0

III. D - Expenditures By Program (optional)

Program	FY 2022	FY 2023	2021-23	2023-25	2025-27
Ecology Division (ECY)	122,000	48,000	170,000		
Total $	122,000	48,000	170,000		

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 215-Utilities and Transportation Commission

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	0.2	0.2	0.1	0.1
Account					
Public Service Revolving Account-State 111-1	26,126	26,126	52,252	26,126	26,126
Total $	26,126	26,126	52,252	26,126	26,126

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 04/26/2021
Agency Preparation: Amanda Hathaway	Phone: 360-664-1249	Date: 04/29/2021
Agency Approval: Amanda Hathaway	Phone: 360-664-1249	Date: 04/29/2021
OFM Review: Jenna Forty	Phone: (564) 999-1671	Date: 05/05/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Section 2(15) defines transportation fuel to include electricity… used for the propulsion of a motor vehicle…

Section 3(5) contains a new schedule about the amount of greenhouse gas reduction for transportation fuels, which include electricity. It is not clear whether this adds a layer of control over the greenhouse gas reductions utilities must make under CETA. The Clean Fuels Program must begin no later than Jan. 1, 2023.

Section 4(6) allows credits used "within a service area." This creates confusion regarding what it means to use electricity.

Section 11: Commerce, in consultation with UTC and others, must forecast the fuel supply no later than 90 days before the start of each compliance period. UTC assumes the compliance period is a calendar year. Section 11 (3) requires the forecasts to include gasoline and diesel substitutes and alternatives. UTC assumes electricity is a gasoline or diesel alternative. Section 11(4) allows the department to appoint a forecast review team of relevant experts to participate in the fuel supply forecast or examination of data. UTC assumes the first fuel supply forecast will be completed by Sep. 30, 2022, and repeated annually thereafter. UTC assumes it will consult with Commerce throughout the development of the forecast and follow the work of the expert review team. UTC assumes higher costs in the first two years as staff develops expertise.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

none

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Consultation with Commerce on fuel supply forecast
Section 11 requires the UTC to consult with Commerce and others in their development of a fuel supply forecast. Requirements of the forecast include fuel volume estimates, banked credits and deficits from previous periods, and necessary credit compliance estimates. UTC assumes the first fuel supply forecast will be completed by Sep. 30, 2022, and repeated annually thereafter. UTC assumes it will consult with Commerce throughout the development of the forecast and follow the work of the expert review team. UTC assumes higher costs in 2022 and 2023 as staff develop expertise in this area.

FY 2022 and 2023 – each year
$26,126 (Resource Planning Manager, 0.14 FTE; Policy Adviser, 0.05 FTE)

FY 2024 and each year thereafter
$13,063 (Resource Planning Manager, 0.07 FTE; Policy Adviser, 0.03 FTE)

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
111-1	Public Service Revolving Account	State	26,126	26,126	52,252	26,126	26,126
		Total $	26,126	26,126	52,252	26,126	26,126

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.2	0.2	0.2	0.1	0.1
A-Salaries and Wages	17,773	17,773	35,546	17,774	17,774
B-Employee Benefits	6,220	6,220	12,440	6,220	6,220
C-Professional Service Contracts					
E-Goods and Other Services	2,133	2,133	4,266	2,132	2,132
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	26,126	26,126	52,252	26,126	26,126

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Policy Advisor	109,284	0.1	0.1	0.1	0.0	0.0
Resource Planning Manager	87,924	0.1	0.1	0.1	0.1	0.1
Total FTEs		0.2	0.2	0.2	0.1	0.1

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 240-Department of Licensing

Part I: Estimates

☒ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

NONE

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/26/2021
Agency Preparation:	Xia Zhan	Phone: 360 902-0113	Date: 04/28/2021
Agency Approval:	Kristin Bettridge	Phone: 360-902-3644	Date: 04/28/2021
OFM Review:	Kyle Siefering	Phone: (360) 995-3825	Date: 04/28/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

This bill requires the Department of Ecology (DOE) to adopt rules to reduce greenhouse gas emissions attributable to certain types of transportation fuels. There is no role for the Department of Licensing, therefore no fiscal impact.

The passed legislation requires the Department of Licensing (DOL) to notify the legislature after a separate additive transportation act is passed, which will trigger the ability for the Clean Fuels Program to begin assigning compliance obligations and allowing credit generation. This separate additive transportation act is defined as an act passed after 4/1/21 that raises the state fuel tax by at least 5 cents per gallon.

This bill becomes effective 90 days after Sine Die.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No revenue impact. This bill would not change any fees administered by DOL. The primary agency for the bill is Ecology, it is assumed Ecology will administer the carbon credit program.

Implementation of a carbon credit system could result in a decrease of motor vehicle fuel consumption, which would result in a decrease in fuel tax revenue collected by DOL. These changes would be an indirect impact of this legislation and are indeterminate.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

As this bill requires DOE to implement rules/procedures, not the Department of Licensing (DOL), therefore, there is no fiscal impact to DOL.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

NONE

III. B - Expenditures by Object Or Purpose

NONE

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

None.

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 405-Department of Transportation

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/26/2021
Agency Preparation:	karin Landsberg	Phone: 360-705-7491	Date: 04/28/2021
Agency Approval:	Eric Wolin	Phone: 360-705-7487	Date: 04/28/2021
OFM Review:	Jenna Forty	Phone: (564) 999-1671	Date: 05/04/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

See attached WSDOT fiscal note.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

Non-zero but indeterminate cost and/or savings. Please see discussion.

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

NONE

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Individual State Agency Fiscal Note

Bill Number: 1091 3SHB.PL	**Title: Low Carbon Fuel Standard**	**Agency:** 405-Department of Transportation

Part I: Estimates

*Check applicable boxes and follow corresponding instructions, use the fiscal template table provided to show fiscal impact by account, object, and program (if necessary), **add rows if needed**. If no fiscal impact, check the box below, skip fiscal template table, and go to Part II to explain briefly, why the program believes there will be no fiscal impact to the department.*

☐ No Fiscal Impact (Explain in section II. A)

If a fiscal note is assigned to our agency, someone believes there might be, and we need to address that, showing why there is no impact to the department.

☐ Indeterminate Cash Receipts Impact (Explain in section II. B)

☒ Indeterminate Expenditure Impact (Explain in section II. C)

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, **complete entire fiscal note form Parts I-V**

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, **complete entire fiscal note form Parts I-V**

☐ Capital budget impact, **complete Part IV**

☐ Requires new rule making, **complete Part V**

☐ Revised

The cash receipts and expenditure estimates on this fiscal template represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Agency Assumptions

For the purposes of this fiscal note, the department assumes that all the contingencies for the program to take effect have been met.

--++``

Agency Contacts:

Preparer: Karin Landsberg	Phone: 907-830-1714	Date: 4/28/2021
Approval: Eric Wolin	Phone: 206-240-4497	Date: 4/28/2021
Budget Manager: Doug Clouse	Phone: 360-705-7535	Date: 4/28/2021
Economic Analysis: Lizbeth Martin-Mahar	Phone: 360 705-7942	Date: 4/27/2021

Individual State Agency Fiscal Note

+

Part II: Narrative Explanation

II. A - Brief description of what the measure does that has fiscal impact.
Briefly describe *by section number* *(sections that will change WSDOT costs or revenue), the significant provisions of the bill, and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency.* ***List the sections that have fiscal impact to WSDOT only. E.g., "Section 3 directs the Department to …" No summarizing, no interpreting, and save any background context for the revenue and expenditure parts.***

Section 3 – Directs the Department of Ecology (Ecology) to adopt rules to set standards that reduce the carbon intensity in transportation fuels and set up a credit system. Establishes contingences that must take place before certain elements can take effect:

- A separate additive transportation revenue act must become law before Ecology can assign compliance obligations or allow the generation of credits. An "additive transportation revenue act" means an act, enacted after April 1, 2021, in which the state fuel tax under RCW 82.38.030 increases by at least five cents per gallon.
- Prior to increasing the carbon reduction requirement above 10 percent, the following must occur:
    - In-state liquid biofuel production must increase by at least 15% and at least one new or expanded biofuel production facility must complete all siting, operating, and environmental permits and applicable appeals.
    - The Joint Legislative Audit and Review Committee report (Section 15) must be completed, and the Legislature must adjourn from the 2033 regular session, to allow an opportunity for the Legislature to amend the requirements considering the report.

Section 4 – Describes requirements for program rules, including addressing efficiency of a fuel, life-cycle emissions, use of electricity and hydrogen for credit generation, data submission requirements, mechanisms for credit trading, mechanisms for persons associated with the supply chain of transportation fuels to take part (including those involved with exempt fuels), and cost containment provisions.

Section 5 – Describes exemptions from rules for small volume suppliers, specified fuel uses (aircraft, vessels, and railroad locomotives), agricultural fuel use, logging, dyed fuels for construction work, and military uses.

Section 6 – Establishes credit generation, including for carbon capture and sequestration, production of fuels from non-fossil feedstocks, battery or fuel cell fueling by non-utility entities, use of smart vehicle charging to charge at times grid carbon intensity is low. Allows credit generation from state transportation investments funded in an omnibus transportation appropriation act for activities and projects that reduce greenhouse gases (GHG) and decarbonize the transportation sector, including:

- Charging and refueling infrastructure
- Ferry electrification, operating, and capital investments.
- Alternative fuel rebate programs
- Transit grants and costs associated with the adoption of alternative fuels.
- Bike and pedestrian grant programs, complete streets allocations
- Rail funding
- Multimodal investments

Allows limits on credit generation.

Section 7 – Requires Ecology to seek to adopt rules harmonized with similar programs in other states. Requires periodic assessments to review technologies, interactions with agriculture and forest land, and directions on assessing public health benefits.

Section 8 – Requires producers and importers of fuels that cannot meet carbon intensity requirements to register with the department. Others that want to take part to generate credits must also register.

Section 9 – Directs the distribution of funds from credits generated by utilities supplying electricity.

- Transportation electrification (includes hydrogen) – 50%
  - Sixty percent must be spent in areas that are designated as air quality nonattainment or maintenance, areas so designated as of January 1, 2021, communities at risk of being nonattainment, or communities identified by DOH as being disproportionately impacted.
  - Forty percent may be spent in other areas of the utility's service area.
- Activities and projects selected from a list jointly developed by Ecology and WSDOT – 50 percent. The list is to be based on the project types that have the highest impact on reducing transportation GHGs. The list must include, but is not limited to
  - Provisions for zero emission vehicles for service providers serving low-income or vulnerable populations.
  - Construction, operations, maintenance of charging infrastructure, including smart charging.
  - Expanding grid capacity to enable transportation electrification.
  - Partnership programs with public and private vehicle fleet owners to enable increased electrification of transportation.

Section 10 – Describes requirements for Ecology to report on program activities annually, including, credits generation, credits needed, fuel volumes, cost effects of program on fuel, and emission reductions attributable to the program. Requires a one-time ex ante analysis with stakeholder input.

Section 11 – Requires Commerce to develop periodic fuel supply forecasts with the Department of Agriculture and the Utilities and Transportation Commission based potential fuel volumes, the vehicle fleet, alternatives available, banked and credits, estimated credits needed.

Section 12-13 – Establishes deferral procedures and requirements.

Section 14 – Ecology may require anyone registered to pay a fee. Creates the Clean Fuels Account, which would receive fees and penalties and be used for conducting the program after appropriation. Requires that rulemaking conducted under this act follow the standards for significant legislative rules.

Section 15 – Directs the Joint Legislative Audit and Review Committee to analyze impacts of first five years of program. Report due December 1, 2029.

Section 16 to 23 – Modifies language to retain current transportation funding distributions. Retains the current distribution of revenue under the 2015 Transportation Revenue Package, eliminating changes that would have been triggered because of the establishment of a Clean Fuels Program.

Section 28 – Requires Ecology, in coordination with Commerce, and other agencies as needed, to develop recommendations for potential improvements to the permitting process for industrial projects and facilities that would contribute to achieving GHG limits, including identifying areas in the state that may be suitable for siting projects because of lower negative environmental impacts.

II. B - Cash receipts Impact

BFA-Economics will briefly describe section by section and quantify the cash receipts impact of the legislation on WSDOT, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources.

There is no cash receipts impact, but it will change the distribution of revenue given current law language. The amount of this change in revenue distribution will be shown on another agency's fiscal note.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings).

Individual State Agency Fiscal Note

Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

The bill as passed the legislature does not change the fiscal impacts to WSDOT.

Utility credit investments (Section 9(2)) – The bill directs utilities to spend 50% of their credit revenues on activities and projects from a list of projects that Ecology and the Washington State Department of Transportation (WSDOT) jointly develop that identifies projects with a high impact on reducing transportation GHG emissions. This requirement has two fiscal impacts on WSDOT:

- The department and Ecology must jointly determine the actions and projects that have the highest GHG reduction:
  - WSDOT assumes that Ecology would lead this effort as part of their efforts to implement the clean fuels program and WSDOT would assist in this process. This effort would include 2-4 public meetings to consider stakeholder input, with stakeholders including utilities and project proponents seeking funding. After the initial determinations are made, Ecology and WSDOT would review the determinations every five years.
  - The department's contribution to this effort would be new work that the department has not planned for in its budgets or workplans.
  - The initial work would occur during fiscal year 2023, which would include the first analysis and establishing the framework for deciding which projects and actions with the highest GHG reduction. Subsequently, the work would be reviewed and updated every five years.
  - During fiscal year 2023 and every five years thereafter, staff at the TPS 5 level (0.2 FTE) would take part in workgroup meetings and complete added work between meetings to coordinate WSDOT input. Work from other WSDOT divisions would be de minimums.
  - **Fiscal impact is $27,500 during fiscal year 2023 for .2 FTE for a TPS5.**
  - **Every five years thereafter, the fiscal impact is $27,500 for .2 FTE for a TPS5.**

FY	STAFF	FTE	DURATION	$$
2023	TPS 5	0.2	Full year	27,544
2028	TPS 5	0.2	Full year	27,544

- The bill indicates transportation electrification as one possible the use of these funds. For example, Washington State Ferries (WSF) may be eligible to receive funding or may benefit from the installation of infrastructure with these funds. Because the determination of highest potential emissions reduction benefit has not been completed and the utilities will make the final funding decisions, we do not know if WSF will receive benefit from these funds. ***Fiscal impact is indeterminate.***

Marine vessel fuel exempt and opportunities for exempt entities to generate credits – The bill explicitly exempts fuel used for the propulsion of vessels from being required to take part in the program (section 5). Ecology must create mechanisms for persons associated with the supply chains of transportation fuels that are used for exempt purposes to generate credits that can be sold to entities required to take part (Section 4). This provision could allow WSF to generate credits from the electrification of the ferry system. The number of credits WSF could generate would be decided by rule and the value of these credits would be determined by the marketplace. Ecology can require those taking part in the reporting and credit program to pay a fee. (Section 14) ***Fiscal impact is indeterminate.***

Credit generation from activities funded in the omnibus transportation appropriation act (Section 6) – The bill allows for credits to be generated from state transportation investments that reduce GHGs and decarbonize the transportation sector that are funded in an omnibus transportation appropriation act. See above for list of included activities. The process to generate credits and any limits on credits would be established by Ecology during the rulemaking process. At this time, funds appropriated for eligible activities, the process for generating credits, and the value in the marketplace are all unknown. ***Fiscal impact is indeterminate.***

Fuel Price Changes – The program is likely to have similar outcomes on fuel price changes as seen in other states (several cents per gallon). Increased availability of competitively priced renewable diesel would allow WSDOT to use this fuel to reduce our agency GHG emissions. ***Fiscal impact is indeterminate.***

Retaining current transportation funding distribution (Sections 19-23) – The Connecting Washington transportation package passed in 2015 included provisions to change the distribution of funds from the package if any state agency initiated a rule making for a low carbon fuel standard. This bill changes that language to keep current funding distributions. ***No fiscal impact.***

Part III: Expenditure Detail

III. A - Expenditures by Object or Purpose

Part IV: Capital Budget Impact

N/A

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

N/A

Ten Year Analysis

Bill Number: 1091 3SHB.PL	**Title:** Transportation fuel/carbon	**Agency:** 405 Washington State Department of Transportation

Ten-year analyses are to be completed by the WSDOT BFA-Economics Office and are limited to agency-estimated cash receipts associated with the proposed tax or fee increases. The Office of Financial Management ten-year projection can be found at http://www.ofm.wa.gov/tax/default.asp.

Estimates

☒ **No Cash Receipts** ☐ **Partially Indeterminate Cash Receipts** ☐ **Indeterminate Cash Receipts**

Name of Tax or Fee	Account Code and Title	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	Total 2019-29
	Choose an item.		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Totals			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Narrative Explanation (Required for all Taxes and/or Fees including "Indeterminate," "Partially Indeterminate," or "No Cash Receipts.")

Brief Description of What the Measure does that has I-960 Implications
Briefly describe by section number, the provisions of the bill that make it subject to the requirements of I-960.
Summary of Third Substitute Bill that impacts revenue distributions

Section 16 to 23 – Modifies language to retain current transportation funding distributions. Retains the current distribution of revenue under the 2015 Transportation Revenue Package, eliminating changes that would have been triggered because of the establishment of a Clean Fuels Program.

There are no cash receives impact, but it will change the distributions of revenue given current law language.

Cash Receipts Impact
Briefly describe and quantify the cash receipts impact to the legislation on the responding agency, including rates, assumptions, and an explanation if the cash receipts are indeterminate.

There is no cash receipts impact, but it will change the distribution of revenue given current law language. The amount of this change in revenue distribution should be shown on another agency's fiscal note.

Individual State Agency Fiscal Note

Bill Number: 1091 3S HB PL	Title: Transportation fuel/carbon	Agency: 461-Department of Ecology

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Clean Fuels Program Account-State NEW-1		342,258	342,258	1,601,339	1,601,339
Total $		342,258	342,258	1,601,339	1,601,339

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	8.3	7.9	8.1	5.0	5.0
Account					
General Fund-State 001-1	2,308,487	1,232,371	3,540,858	0	0
Clean Fuels Program Account-State NEW-1	0	342,258	342,258	1,601,339	1,601,339
Total $	2,308,487	1,574,629	3,883,116	1,601,339	1,601,339

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:		Phone:	Date: 04/26/2021
Agency Preparation:	Pete Siefer	Phone: 360-407-6646	Date: 04/30/2021
Agency Approval:	Erik Fairchild	Phone: 360-407-7005	Date: 04/30/2021
OFM Review:	Lisa Borkowski	Phone: (360) 902-0573	Date: 05/02/2021

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Compared to E3SHB 1091 AMS WM S2397.5, E3SHB.PL 1091 makes the following changes related to Ecology :

Section 2 would allow credits to be generated through other activities consistent with the bill.

Section 3 (5) would require Ecology to adopt rules to reduce greenhouse gas emissions from transportation fuels to twenty percent below 2017 levels by 2038, instead of 2035 in the previous version. No change to the schedule of emissions reductions would be allowed in 2032 and 2033, instead of a 2.5 percent emissions reduction limit in 2032 through 2034 in the previous version.

Section 3 (6) and 3 (7) would limit additional carbon intensity reductions after 2028 contingent upon increased in-state biofuel production, feedstocks produced, and other requirements through 2033.

Section 3 (8) would make compliance obligations and generation of credits contingent on an additive transportation revenue act in which the state fuel tax is increased by at least five cents per gallon, instead of an additive transportation funding act specified in the previous version.

Section 4 (7) would add detail around cost containment mechanisms including procedures to ensure credit prices do not significantly exceed credit prices in other jurisdictions and that Ecology will harmonize cost containment mechanisms with other states.

Section 4 (8) would change requirements related to the credit clearance market to require that sellers of credits withhold them from sale outside the clearance market until the end of the market or until the date Ecology announces a credit clearance market will not be held, instead of specifying that sellers of credits withhold credits at maximum price in the previous version. Additionally, it would require that Ecology set a maximum price for credits consistent with other states with similar programs, set an upper price limit of $200 in 2018 dollars for 2023, and change the year the maximum price can increase from 2029 to 2024.

Section 4 (10), (11), and (12), from the previous version are removed, which included requirements for considering low carbon fuel facilities net direct GHG emissions, a determination related to in-state feedstocks and increasing clean fuel standards in subsequent compliance periods.

Section 6 would require that the rules adopted for sections 3 and 4 of the bill allow generation of credits from state transportation investments funded in an omnibus transportation appropriations act. Credits generated in this section would be limited to 10 percent of the total program credits.

Section 9 would specify that 50 percent of revenues not subject to requirements of subsection 9 (1) be spent by electric utilities and require those funds be spent on transportation electrification projects from a list jointly developed by Ecology and DOT and lists examples of projects and investments.

Section 11 would add language to include banked credits in a comparison indicating availability of fuels and banked credits needed for compliance with requirements of the bill.

Section 14 would add language specifying that all rulemaking under the bill must be conducted according to standards for significant legislative rules in RCW 34.05.328.

Sections 24 through 27 would include language referencing the new chapter created in section 29 of the bill.

Section 28 would require Ecology, in coordination with Commerce and other agencies to develop recommendations and clarity around siting and permitting, and guidance to improve project proposals. Additionally, Ecology would be required to convene stakeholders and consult with tribes, and deliver reports to the Governor and the Legislature.

These changes in the bill would change the fiscal impact to Ecology.

Under current law, Ecology requires facilities and entities selling fossil fuels in Washington that emit at least ten thousand metric tons of carbon dioxide equivalent on an annual basis to report greenhouse gas emissions, per RCW 70A.15.2200 and chapter 173-441 WAC. Also under current law, Ecology's Clean Air Rule, chapter 173-442 WAC provides greenhouse gas emissions standards and reduction pathways for certain stationary sources, petroleum product producers and importers, and natural gas distributors.

This bill would create a program intended to reduce the carbon intensity of transportation fuels used within the state. Transportation fuels are defined in this bill as electricity and fuels for the propulsion of motor vehicles sold or used within the state.

(Note that the Governor's proposed 2021-2023 Biennial Operating Budget includes funding for this proposed legislation based on a previous bill version under LCF Clean Transportation Fuel Standards.)

Section 2 provides definitions for this act and would allow credits to be generated through other activities consistent with the bill.

Section 3: Ecology would be required to establish rules by January 1, 2023, that limit greenhouse gas (GHG) emissions per unit of transportation fuel energy, as based on carbon intensity values on a lifecycle basis. Exported fuels would be exempt from the emissions requirements specified in this section. Ecology would adopt updated rules by December 31, 2031, to reduce transportation fuel GHG emissions by 2050 to achieve the emissions limits specified in RCW 70A.45.020. Rules would need to result in a reduction of GHG emissions in transportation fuels used in Washington to 20 percent below 2017 levels by 2038 using the limits in the schedule provided. The schedule of emissions reductions after 2028 would be contingent upon in-state biofuel and feedstocks production as well as other requirements.

Section 3(8) would specify that implementation of compliance obligations and credit generation would be contingent on a separate additive transportation revenue act becoming law, in which the state fuel tax is increased by at least five cents per gallon.

Section 4 (1) (c) and (d) would authorize Ecology to require transportation fuel suppliers and participating electric utilities to submit GHG emissions data different from or additional to data reported or submitted under RCW 70A.15.2200 and chapter 19.29A RCW, if necessary to accurately measure GHG emissions. It would avoid compliance conflicts with other green energy programs and standards, such as the Clean Energy Transformation Act (CETA) by allowing credits and their disposition to apply to more than one program.

Section 4 (2) would require the rules to provide clean fuels program participants opportunities to demonstrate appropriate carbon intensity values, accounting for production facility emissions and other production cycle sources, if the provisions would not counter the emission reduction goals of the program or create an administrative burden for the department.

Section 4 (3) specifies: (a) methods for assigning compliance obligations and methods for tracking tradable credits; (b) mechanisms that allow credits to be traded and banked for future compliance periods; and (c) procedures for verifying the validity of credits and deficits generated under the clean fuels program.

Section 4 (4) would clarify that electric vehicle manufacturers may participate in the clean fuels program.

Section 4 (7) would specify requirements for cost containment mechanisms.

Section 4 (8) would establish a credit clearance market for any compliance period where at least one regulated party reports it has a net deficit balance and aligns with Oregon's program.

Section 5 specifies exemptions that should be included and would authorize Ecology to adopt rules specifying standards to qualify for exemptions, and to align implementation of the exemptions for certain dyed special fuels under section 5 (2) with similar fuel exemptions under chapter 82.38 RCW. This section would also set the baseline years for credits to align with any other legislation establishing a cap on GHG emissions.

Section 6 would authorize the rules adopted under sections 3 and 4 to allow for credits from activities that reduce GHG emissions associated with transportation. The section provides examples and would require the rules to specify limits to the number of credits that could be earned from these activities.

Section 7: Ecology would be encouraged to align rules with those of states that have transportation fuel carbon standards and have potential supply connections with Washington State. Ecology would be required to establish and periodically consult a stakeholder advisory panel for input on incentives and credits for GHG sequestration related to agricultural and forestry practices. Ecology would also be required to perform a biennial review of innovative technologies and pathways to reduce carbon and increase credit generation opportunities, and modify rules or guidance to maintain stable credit markets. Further, Ecology would be required to distinguish between public health benefits from small particulate matter and other pollutants reduced via chapter 70A.30 RCW as well as incremental benefits to air pollution attributable to the clean fuels program in any reports published per section 10.

Section 8: All producers or importers of any amount of transportation fuel ineligible to generate credits consistent with requirements of section 4 (3) would be required to register with Ecology. All persons or entities eligible to generate credits under section 4 (3) would be required to register with Ecology to participate in the Clean Fuels Program and generate credits. All transfers of transportation fuels for which Clean Fuels Program participation would be required or elected would require documentation in a format approved by Ecology assigning the compliance responsibility and associated credits. Ecology would be authorized to adopt rules requiring periodic reporting from entities associated with the supply chains for participants in the Clean Fuels Program. The rules would be required to establish procedures and timelines consistent with similar programs or programs requiring similar information.

Section 9: Section 9 (1) would require 50 percent of revenues generated by an electric utility under the Clean Fuels Program to be spent by the electric utility on transportation electrification projects. Section 9 (2) would require electric utilities to use 50 percent of revenues not subject to the requirements of 9 (1) for transportation electrification programs and projects from a list jointly developed by Ecology and DOT. Section 9 (3) would require electric utilities electing to participate in the Clean Fuels Program to submit to Ecology an annual accounting and descriptions of expenditures and revenues generated by an electric utility from credits earned from the electricity supplied to retail customers by an electric utility under the Clean Fuels Program.

Section 10: Beginning May 1, 2025, and each May 1st thereafter, Ecology would be required to post a report on the department's website summarizing the data and information specified in subsection (1) in this section. Ecology would be required to submit this report to the appropriate committees of the legislature by May 1, 2025, and each May 1st thereafter.

Section 10 (1) (c) would require Ecology to contract with an independent consultant to determine fuel costs or savings attributable to the clean fuels program and to publicize the information in a press release at the same time that the report required in section 10 is posted to the department's website. Ecology would also be required to simultaneously report the cost savings to the Transportation Committees of the House of Representatives and the Senate. The information reported on GHG emissions would be isolated from GHG emissions reductions attributable to other state and national programs on the same fuels.

Section 10 (4) would require Ecology to contract for a one-time ex ante independent analysis of the information in section 10 (1), including specific requirements from this section and covering each year of the program through 2038, to be completed and submitted to the legislature by July 1, 2022.

Section 11: Ecology, the UTC and the Department of Agriculture would provide consultation to Commerce to support a required periodic fuel supply forecast to project the availability of fuels necessary for compliance with Clean Fuels Program requirements. Commerce, in coordination with Ecology, could appoint a forecast review team to participate in the fuel supply forecast of examination of data. The fuel supply forecast for a given compliance period would be required by no later than ninety days prior to the start of the compliance period. The forecast would include a comparison indicating availability of fuels and banked credits needed for compliance with the requirements of the bill.

Section 12 would require Ecology to issue forecast deferrals if the fuel supply forecast under section 10 of the bill projects the amount of credits that will be available during the forecast compliance period will be less than 100 percent of credits projected to be necessary for regulated parties to comply and to provide written notification and justification to the Governor and the legislature.

Section 13 would allow Ecology, in consultation with Commerce and the Governor's office, to issue emergency deferrals in extreme and unusual circumstances that prevent the distribution of an adequate supply of renewable fuels needed to comply with the clean fuels program. Deferrals would only be applied for the shortest period possible and may be terminated early in consultation with Commerce and the Governor's office. Additionally, Ecology may issue deferrals if we find that a person is unable to comply due to reasons beyond their reasonable control. Ecology may initiate a deferral at our discretion or at the request of a person regulated under the clean fuels program.

Section 14: Ecology would be authorized to require a fee from persons that register or report under the provisions of this act. If Ecology were to elect to require a fee, the department would be required to adopt rules according to the standards for significant legislative rules in RCW 34.05.328, following an opportunity for public comment that would determine the payment schedule and fee amount. The fee amount would be required to be set so that receipts equal but not exceed the projected direct and indirect costs for Ecology's and Commerce's development and implementation of the program. Each biennium, the departments would be required to prepare a biennial workload analysis and provide opportunities for public review and comment. Ecology would enter into an interagency agreement with Commerce to implement this section.

Section 14 would also establish the Clean Fuels Program Account, which would be appropriated, and to which all receipts from fees and penalties received under the program created in this chapter would be deposited. Ecology would only be able to spend funds from this account for carrying out the program created in this chapter.

Section 15 (1) (a): Ecology would provide consultation for a Joint Legislative Audit and Review Committee report, due to the Legislature by December 1, 2030. We assume Ecology's consultation support would begin in FY 2029 or later, which is beyond the scope of this fiscal note.

Section 16 (1) would add a new section to Chapter 82.04 RCW (Business and Occupation Tax), that would make the B&O tax not applicable to amounts received from the generation, purchase, sale, transfer, or retirement of credits under this bill.

Sections 24 and 25 would modify RCW 70A.15.3150 and 70A.15.3160 to include this chapter among the provisions applicable for a penalty or civil penalty if violated.

Section 28 would require Ecology, in coordination with Commerce and other agencies as appropriate, to develop recommendations regarding permitting processes for industrial projects, to provide increased clarity on areas that may be suitable for siting projects with a lower potential for negative environmental impacts, and strategies for minimizing and mitigating negative environmental impacts where possible. Additionally, Ecology would need to provide clear guidance to improve project proposals, recommend policy and administrative improvements necessary to improve the permitting process, and recommend any additional studies needed. Ecology would be required to convene stakeholders and consult with tribes. Ecology and Commerce would be required to produce and submit to the Governor and Legislature an interim progress report with initial recommendations by December 1, 2021, and a final report by December 1, 2022.

Section 30 would make this act null and void if funding is not provided by June 30, 2021.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency , identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources . Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates . Distinguish between one time and ongoing functions .

The cash receipts impact to Ecology under this bill is estimated to be greater than $50,000 in Fiscal Year (FY) 2023 and ongoing for fee revenue under section 14.

Cash receipts are indeterminate due to the uncertain timing of when the requirements of section 3 (8) for an additive transportation revenue act will be met in order to begin implementation of compliance obligations and credit generation for the clean fuels program. For purposes of this fiscal note, a scenario of cash receipts is provided based on an assumption that the requirements of 3(8) would be met by January 1, 2023. If the requirements of section 3 (8) are not met by then, Ecology assumes program implementation of compliance obligations and credit generation would be on hold, and there would be no cash receipts in the Clean Fuels Program Account until the requirements of section 3 (8) are met.

Section 14 would authorize Ecology to require a fee from persons that register or report under the provisions of this chapter. Ecology would adopt rules following an opportunity for public comment that would determine the payment schedule and fee amount. The fee amount would be required to be set so that receipts equal but do not exceed the projected direct and indirect costs for Ecology's and Commerce's development and implementation of the program.

Ecology would be required to establish rules by January 1, 2023, under section 3. Ecology assumes the fee authorized in section 14 would start on this date. Based on the start date for fee implementation, Ecology estimates that the last 6 months of FY 2023 expenditures for the Clean Fuels program would be fee-recoverable, and all future expenditures would be funded through fee revenue in the Clean Fuels Program Account.

Per section 14, the fee amount would be set so that receipts equal but do not exceed projected direct and indirect costs for Ecology's and Commerce's development and implementation of the program. Commerce's costs are reflected in this fiscal note under the interagency agreement required for this section. Cash receipts are estimated to equal expenditure estimates in the new Clean Fuels Program Account beginning January 1, 2023. All fee receipts would be deposited in the Clean Fuels Program Account created in section 14.

Under section 14, any penalties received under this program, as prescribed under RCW 70A.15.3160, would also be deposited in the Clean Fuels Program Account. Enforcement actions and penalties are assumed to be limited, but unknown, and therefore are not estimated in this fiscal note.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates . Distinguish between one time and ongoing functions .

The expenditure impact to Ecology under this bill is estimated to be greater than $50,000 in FY 2022 and ongoing for clean fuels program rulemaking, registration and reporting, and implementation.

Expenditures in FY 2024 and thereafter are indeterminate due to the uncertain timing of when the requirements of section 3(8) for an additive transportation revenue act will be met in order to begin implementation of compliance obligations and credit generation for the clean fuels program. For purposes of this fiscal note, a scenario of expenditures is provided based on an assumption that the requirements of 3 (8) would be met by January 1, 2023. If the requirements of section 3(8) are not met by then, Ecology assumes program implementation of compliance obligations and credit generation would be on hold, and there would be no expenditures in the Clean Fuels Program Account until the requirements of section 3(8) are met.

Clean Fuels Program Criteria Establishment through Rulemaking:

Section 3 would require Ecology to adopt new rules by January 1, 2023, to reduce greenhouse gas (GHG) in transportation fuels used in Washington to twenty percent below 2017 levels by 2038.

Section 3 (6) would limit the carbon intensity reductions beginning in 2028 to 10 percent until Ecology demonstrates that at least a 15 percent net increase in the volume of in-state biofuel production and use of feedstocks grown or produced within the state and at least one new or expanded biofuel production facility representing an increase in production capacity or producing more than 60 million gallons of biofuels per year has received all necessary siting, operating, and environmental permits after July 1, 2021, post all timely and applicable appeals. Timely and applicable appeals must be determined by the ATG and Ecology. In consultation with the ATG, this determination is estimated to require 0.02 FTE AAG, costing approximately $5,000 in FY 2022, shown in Object E. Costs to Ecology for related work in 2028 and beyond are beyond the scope of this note.

Per Section 4, Ecology would be authorized to adopt rules requiring transportation fuel suppliers and participating electric utilities to submit GHG emissions data different from or additional to data reported or submitted under RCW 70A.15.2200 or chapter 19.29A RCW. Ecology assumes this reporting would be necessary to determine and verify compliance with the program.

Section 5 specifies exemptions that should be included and would authorize Ecology to adopt rules specifying standards to qualify for exemptions.

Section 6 would authorize the rules adopted under sections 3 and 4 to allow for credits from activities that reduce GHG emissions associated with transportation. The section provides examples and would require the rules to specify limits to the number of credits that could be earned from these activities.

Section 7 would provide that Ecology should, with some exceptions, align rules with those of states that have transportation fuel carbon standards and have potential supply connections with Washington State. Ecology would also be required to perform a biennial review of innovative technologies and pathways to reduce carbon and increase credit generation opportunities, and modify rules or guidance to maintain stable credit markets.

Section 8 would authorize Ecology to adopt rules requiring periodic reporting from participants in the Clean Fuels Program.

Section 14 would require rulemaking to determine a Clean Fuels Program registration or reporting fee schedule and amount and would require that all rulemaking under the bill be conducted according to the standards for significant legislative rules in RCW 34.05.328.

Because rules would be required by January 1, 2023, Ecology would plan to use transportation fuel standards programs in California and Oregon as a guide and baseline for rulemaking and adapt them as needed to ensure that all requirements under the chapter are fulfilled.

Ecology estimates that the following staff would be needed to complete the rulemaking in sections 3, 4, 5, 6, 7, 8, and 14, with support from the program implementation staff described below. Rulemaking is assumed to be complete by

January 1, 2023. Outreach efforts would be needed to ensure sufficient opportunities for public comments on the program, particularly credit criteria. Based on Oregon and California programs, Ecology estimates ongoing intermittent rulemaking to develop verification programs, update fuels eligible for credits as technology evolves, and update carbon intensity values as new data becomes available.

- A Rulemaking Lead would be required to oversee project management, lead rule development, and manage stakeholder engagement. (Environmental Planner 3, 1.25 FTE in FY 2022, 0.75 FTE in FY 2023, and 0.50 FTE each subsequent odd fiscal year, starting in FY 2025).

- A Rulemaking Lead would be required to conduct a biennial review of innovative technologies and potential credit generating opportunities, and provide guidance as necessary for modifying rules or guidelines. (Environmental Specialist 5, 0.10 FTE beginning in FY 2022 and ongoing).

- A Technical Lead would be required to work with the rulemaking lead to create the rule language and drive the overall policy change of the rulemaking for the clean fuels program. This position would lead the process to define credit-eligible projects and credit limits, and to analyze credit criteria and limits in Oregon and California. (Environmental Planner 5: 0.50 FTE in FY 2022 and 0.25 FTE in FY 2023).

- Economic Research Staff: Ecology's economist and regulatory analyst would complete economic and regulatory analysis in support of the rule as required by law. FTE to accomplish this work:

- Regulatory Analyst 2: 0.10 FTE in FY 2023

- Economic Analyst 3: 0.25 FTE in FY 2023

- Outreach: Because the proposed rulemaking would impact a broad population, we would anticipate strong public interest throughout the rulemaking process. This position would be needed to review and publish documents and manage updates to Ecology's website and other online media throughout the rulemaking process. (Community Outreach & Environmental Education Specialist 4, 0.10 FTE in FY 2022).

The program would hold three public meetings and three public hearings in a rented facility in FY 2022. Facility rental costs are estimated to be $1,000 per meeting.

The Attorney General's Office (AGO) estimated that 0.20 FTE of Assistant Attorney General (AAG) time would be needed to support rulemaking in FY 2022 and FY 2023. AGO support is estimated to cost $48,000 in FY 2022 and $48,000 in FY 2023, and is shown in Object E.

All costs for initial rulemaking are assumed to be spent in the state General Fund, and all costs for future intermittent rulemaking are assumed to be spent in the Clean Fuels Program Account.

Clean Fuels Program Implementation:

The start date for the program would be January 1, 2023. Ecology assumes that we would not collect required reporting information from regulated entities until the tracking system has been established and reporting requirements are established in rule. Because compliance requirements would be set based on initial reports, Ecology assumes that the first year of the program would require reporting only. Ecology would provide technical support to reporters and calculate carbon intensity values based on the data submitted through reporting and set compliance requirements, beginning CY 2024, to meet the targets of RCW 70A.45.020.

Implementation of the Clean Fuels Program would require the following ongoing staff:

- A manager would be needed to provide overall coordination of implementation, to lead efforts to designate an entity to aggregate unused credits, to lead credit market monitoring and assessment of impacts on compliance, and to coordinate with other states, and the advisory stakeholder group required in Section 7. (Washington Management Service 1, 0.40 FTE in FY 2022 and ongoing).

- An Environmental Planner 4 would be needed to lead efforts to track and monitor compliance with the program, support designation of an entity to aggregate unused credits, develop a verification program and criteria, and review verifier reports, assist with monitoring the credit market and assessing impacts on compliance, consult with stakeholders to assess program effectiveness, draft and submit proposed legislative changes annually, prepare annual public report, and coordinate with Commerce on the preparation of the biennial workload analysis and interagency agreement. (Environmental Planner 4, 1.0 FTE in FY 2022 and ongoing).

- An Environmental Engineer 2 would be needed to research and update GHG emissions for transportation fuel pathways, review and approve innovative fuel pathways, update carbon intensity lifecycle analysis modeling tools, provide technical support for the development and analysis of verification program and criteria, consult with Commerce on fuel supply forecast to project availability of fuels necessary for compliance with Clean Fuels Program requirements, per section 11, and provide technical expertise during rule updates as needed. (Environmental Engineer 2: 0.30 FTE in FY 2022 and ongoing).

- An Environmental Specialist 4 would be required to provide guidance and technical assistance to program participants, review and process quarterly and annual reports, implement routine program audits and assist with program compliance monitoring, assist with routine review of verifier reports, support consultation with Commerce for fuel supply forecast, support interagency agreement management and biennial workload analysis development and publication, and provide support for rule updates as needed. (Environmental Specialist 4: 1.0 FTE in FY 2023 and ongoing).

- A Community Outreach and Education Specialist 4 would have to update website and outreach materials, assist with stakeholder consultation for program assessment, help maintain effective working relationships with program participants, support the report required in section 10, and provide outreach support for rule updates and public review of workload analyses as needed. (Community Outreach and Education Specialist 4: 0.30 FTE in FY 2023 and ongoing).

In addition to the staff efforts above, Ecology would contract for outside technical expertise to update carbon intensity modeling tools (Greenhouse Gases Regulated Emissions and Energy Use in Transportation (GREET) and Oil Production Greenhouse Gas Emissions Estimator (OPGEE)) to reflect Washington-specific data and variables. The modeling tools would help forecast the annual fuel supply, ensure sufficient credits are available for compliance, and provide data to evaluate economic impacts. During the 2013 legislative session, E2SSB 5802 committed funds to a study to examine viability of a clean fuel standards program. The OFM fiscal note estimated $175,000 to contract with a consultant for analysis of Washington emissions and energy consumption profile. The consultant preparing the report was Lifecycle Associates, who created the GREET model. While the scope of the project would differ from the analysis conducted in FY 2014, this estimate was used as the basis for estimated contract costs of $200,000 in Object C in FY 2022.

Section 3 (3) and 3 (4) would require Ecology to regularly monitor the availability of fuels needed for compliance with the clean fuels program and to calculate monthly the volume-weighted average price of credits and report the formula and data used for the calculation on the department website. Ecology assumes that the regular monitoring would occur quarterly. The monthly calculation would use existing data reported by the regulated parties and require a one-time IT cost in FY 2022 to create a report dashboard - 0.25 FTE IT App Development-Journey.

Additionally, an Environmental Specialist 3 at 0.20 FTE is assumed in FY 2022 and ongoing to coordinate the quarterly monitoring, perform the monthly calculation, and coordinate posting the required information to the department website.

Section 4 (8) would establish a credit clearance market. Ecology, in consultation with ATG, assumes 0.02 FTE AAG costing $5,000 in FY 2022 for legal advice shown in Object E.

Section 7 would require Ecology to establish and periodically consult a stakeholder advisory panel for input on incentives and credits for GHG sequestration related to agricultural and forestry practices.

Ecology assumes that independent contractors would be required to provide technical expertise related to agriculture and forestry protocols and provide consultation in appointing members of the stakeholder advisory committee to ensure impartial selection and broad representation across the state. The cost for contracts is estimated to be $86,909 in FY 2022. Estimates are based on the cost for 0.50 FTE of an Environmental Planner 5.

The Clean Fuels Manager would provide recommendations to the Air Quality Program Manager and Ecology Director to appoint representatives to the group.

An Environmental Planner 5 would convene meetings with the group, provide technical and policy expertise to inform and support the group's recommendations, and coordinate with other state agencies as needed. As the group is being established, from July through December, 2021, this position would work full time, managing the contracts for panel appointments, establishing structure and governance framework for the panel, and developing resources for researching incentives. Beginning in January 2022, 0.50 FTE would be needed on an ongoing basis for continued coordination with the panel and analysis of recommendations. The estimated staff time needed would be 0.75 FTE in FY 2022, and 0.50 FTE in FY 2023 and ongoing thereafter.

The first meeting would be held in January 2022, and meetings would be held quarterly thereafter. Meeting facility cost estimates of $1,000 per meeting are included in Object E, for a cost of $3,000 in FY 2022, and $4,000 in FY 2023 and each fiscal year thereafter.

Section 9 (2) would require 50 percent of revenues generated by an electric utility from credits earned under the clean fuels program not subject to section 9(1) be used by the electric utility for activities and projects on a list jointly determined by Ecology and DOT This list would require meetings and coordination in FY 2023 and review each 5 years thereafter. Ecology assumes the following costs:

-- Environmental Specialist 5 (0.20 FTE in FY 2023 and every 5 years thereafter): This position would coordinate with DOT and stakeholders and oversee the GHG emissions reduction analysis.

-- Environmental Planner 4 (0.10 FTE in FY 2023 and every 5 years thereafter): This position would perform the GHG emissions reduction analysis and attend meetings.

Section 10 (1) would require Ecology to contract with an independent consultant to determine fuel costs or cost savings attributable to the clean fuels program. Contract costs are estimated to be $75,467 each year in FY 2024 and ongoing each FY thereafter, based on Ecology's costs for 0.50 FTE Economic Analyst 3. This would ensure that the analysis would be completed in time for the first report, which would be required by May 1, 2025.

Section 10 (4) would require Ecology to contract with an ex ante independent analysis of the information specified in section 10 (1) (c), to be submitted to the legislature by July 1, 2022. This would provide 12 months to prepare an analysis based on modeled carbon intensity values and credit generation activity. This analysis would be comparable to the one prepared by Lifecycle Associates' report that was published in 2014. Ecology assumes a contract would be necessary with a consultant of a similar scope and cost basis as the Lifecycle Associates analysis referenced above, with estimated costs of $200,000 in Object C for FY 2022.

Section 12 would require Ecology to issue forecast deferrals if the fuel supply forecast under section 10 of the bill projects the amount of credits that will be available during the forecast compliance period will be less than 100 percent of credits projected to be necessary for regulated parties to comply. Ecology and the AGO assume there would be a new workload associated with the implementation of deferral requests.

AGO assumes that 0.03 FTE of AAG time would be needed to support Ecology in establishing a deferral disposition process, estimated as a one-time cost of $7,000 in FY 2022, shown in Object E.

The volume of deferrals Ecology may be required to issue in subsequent years is unknown at this time, therefore staff costs for Ecology in FY 2023 and ongoing are indeterminate.

Section 13 would allow Ecology to issue emergency deferrals of compliance with the carbon intensity standards based on extreme or unusual circumstances, and would allow regulated entities to request deferrals if they are unable to comply for reasons beyond their reasonable control. Ecology and the AGO assume there would be a new workload associated with the review and disposition of deferral requests.

AGO assumes that 0.03 FTE of AAG time would be needed to support Ecology in establishing a deferral disposition process, estimated as a one-time cost of $7,000 in FY 2022, shown in Object E.

The volume of requests Ecology may receive for review in subsequent years is unknown at this time, therefore staff costs for Ecology in FY 2023 and ongoing are indeterminate.

Section 14 would require Ecology to enter into an interagency agreement with Commerce to implement cost recovery mechanisms through the fee and workload analysis as well as the periodic fuel supply forecast. Commerce's estimated costs in the Clean Fuels Program Account to implement section 11 are included in Object E to reflect the interagency agreement, estimated to be $104,492 in FY 2022 and FY 2023 and $62,694 in FY 2024 and ongoing. Efforts to coordinate the interagency agreement and provide opportunities for public review of and comments on biennial workload analyses could be accomplished with the positions listed above.

Section 28 would require Ecology, in coordination with Commerce and other agencies as appropriate, to develop recommendations for improvements to permitting industrial projects and facilities that would contribute to GHG emissions limits, increase clarity on suitable siting for projects, and identify strategies for minimizing negative environmental impacts where possible. Ecology would be required to convene stakeholders and consult with tribes as well as provide a report to the Governor and the Legislature with initial policy proposals by December 1, 2021. A final report would be due by December 1, 2022.

Ecology, in consultation with Commerce and the ATG assumes that we would enter into an interagency agreement (IAA) for costs associated with coordination and legal advice. The IAA would cover ATG costs for Ecology and Commerce in FY 2022, costing $50,000 for 0.2 FTE AAG, shown in Object E, and staff time for Commerce estimated at $100,000 in FY 2022 for 0.5 FTE Energy Policy Specialist to support stakeholder engagement and consult with Ecology, shown in Object S.

Ecology assumes we would contract for technical consultation, stakeholder facilitation, and meetings, costing $200,000 in FY 2022 and $300,000 in FY 2023 shown in Object C.

Costs for Ecology staff to coordinate meetings, manage the contract for a technical consultant and stakeholder facilitator, and write the report due December 1, 2021 are assumed at:

- Environmental Engineer 5 (0.10 FTE in FY 2022 and FY 2023): This position would provide expertise related to permitting and would attend meetings.

- Environmental Planner 5 (0.13 FTE in FY 2022 and FY 2023): This position would act as the lead report writer, manage the contract, and would coordinate with Commerce and attend and convene meetings.

- Environmental Planner 5 (0.05 FTE in FY 2022 and FY 2023): This position would act as the technical expert for

SEPA from the Shorelands and Environmental Assistance Program and would provide consultation on environmental impacts and attend meetings.

All costs estimated prior to January 1, 2023, are assumed to be spent in the state General Fund, and all costs estimated from January 1, 2023, and onward are assumed to be spent in the Clean Fuels Program Account.

Clean Fuels Program Registration and Tracking:

Section 4 of the bill would require Ecology to assign and track tradable and bankable compliance obligations and credits from participants in the clean fuels program. Section 8 would require producers and importers of transportation fuels and entities eligible to generate credits to register with Ecology. Section 8 would require Ecology to collect documentation on transactions transferring ownership of compliance obligations and credits related to transportation fuels for which program participation is required, and would allow Ecology to require periodic reporting of information from program participants.

This work would involve creating a registration database to compile information on program participants and track compliance obligations and credits, developing and preparing guidance and training materials for registering program participants, and technical assistance. This work would also involve creating a web-based reporting tool interface to collect data and quarterly and annual reports from program participants, user testing, troubleshooting, ongoing updates and maintenance of the reporting tool, and ongoing technical assistance.

The Washington State Office of the Chief Information Officer (OCIO) would review the required project for level of scope and public impact. Because the project would meet the following criteria related to public impacts, this fiscal note assumes that this project would require OCIO quality assurance (QA) oversight.

The system would be used by all transportation fuel suppliers and energy utilities for the state of Washington, which would include international corporations. Ecology estimates sixty fuel suppliers, ten utilities, and an indeterminate number of clean fuel suppliers and other voluntary participants. Ecology prepared a draft economic analysis of a proposed clean fuel program in 2015. The analysis estimated fifty to one-hundred regulated parties (clean fuel credit buyers), fifty to one-hundred credit generators (clean fuel credit sellers), and twenty-five to fifty brokers (facilitators of clean fuel credit transactions). California has 322 registered parties and Oregon has 202 registered parties in their clean fuel standards programs.

Based on Commerce estimates, utilities may be able to earn credit-based revenue exceeding one million dollars each year. The data in this system would have financial impact for the state's economy.

The estimated costs for the project without QA criteria are described first, and followed by incremental cost estimates for the QA requirements.

Without QA requirements, the project would take one year, starting on January 1, 2022, and concluding with system rollout on January 1, 2023, the start date of the Clean Fuels Program. This would require the following staff :

- Developer - IT App Development-Senior/Specialist (0.50 FTE in FY 2022, 0.50 FTE in FY 2023, and 0.30 FTE in FY 2024 and ongoing): This position would prepare the coding and technical systems implementation and ongoing maintenance of the system.

- IT App Development – Manager (0.10 FTE in FY 2022 and 0.10 in FY 2023): This position would provide overall project supervision and guidance.

With QA requirements, additional staff and costs that would be required:

The project would need to start by July 2021 to ensure that the project and quality assurance review are complete before the program's start date of January 1, 2023.

- Developer – IT Application Development Sr./Specialist would have to start on July 1, 2021, to prepare the coding and technical systems implementation and ongoing maintenance of the system: (0.50 FTE in FY 2022).

- Project Management - IT Application Development Sr./Specialist: OCIO requires a staff person of this job classification to serve in the project management role for IT projects that have a substantial public impact. This position would conduct business analysis, research end-user needs, coordinate with Oregon and California, which have similar systems, and serve as project contact for the QA reviewer. (Project Management - IT Application Development Sr./Specialist: 1.0 FTE in FY 2022 and 0.50 FTE in FY 2023).

Ecology would be required to contract with an OCIO-approved QA reviewer to analyze project management and implementation. Based on pricing for a current Ecology IT project, the contract costs are estimated to be $51,802 in FY 2022 (includes readiness assessment ($9,945), project QA plan ($4,127), and seven periodic assessments at $5,390 per report) and $32,340 in FY 2023 (five assessments and a post implementation report at $5,390 each).

All project costs for system development and Quality Assurance, estimated prior to January 1, 2023, are assumed to be spent in the state General Fund. Ongoing system maintenance costs are assumed to be spent in the Clean Fuels Program Account.

SUMMARY:

The summary costs below reflect the requirements of section 3 (8) not being met by January 1, 2023, making costs related to implementing compliance and credit generation indeterminate.

Clean Fuels Program Criteria Establishment through Rulemaking:
FY 2022: $345,527 and 2.24 FTE
FY 2023: $266,393 and 1.67 FTE
FY 2024 and subsequent even-numbered fiscal years thereafter: $14,408 and 0.12 FTE
FY 2025 and subsequent odd-numbered fiscal years thereafter: $86,449 and 0.69 FTE

Clean Fuels Program Implementation:
FY 2022: $1,522,497 and 6.65 FTEs
FY 2023: $958,833 and 6.33 FTEs
FY 2024: $439,793 and 3.22 FTEs
FY 2027: $36,020 and 0.29 FTE

Clean Fuels Program Registration and Tracking:
FY 2022: $479,864 and 2.42 FTEs
FY 2023: $257,515 and 1.27 FTEs

For the purposes of this fiscal note, Ecology assumes that the requirements of section 3 (8) would be met before January 1, 2023.

The total expenditure impact to Ecology under this bill is estimated to be:

Clean Fuels Program Criteria Establishment through Rulemaking:
FY 2022: $350,527 and 2.24 FTE
FY 2023: $266,393 and 1.67 FTE

FY 2024 and subsequent even-numbered fiscal years thereafter: $14,408 and 0.12 FTE
FY 2025 and subsequent odd-numbered fiscal years thereafter: $86,449 and 0.69 FTE

Clean Fuels Program Implementation:
FY 2022: $1,478,096 and 3.7 FTE
FY 2023: $1,050,721 and 4.9 FTE
FY 2024: $689,374 and 4.3 FTE
FY 2025: $689,374 and 4.3 FTE
FY 2026: $689,374 and 4.3 FTE
FY 2027: $689,374 and 4.3 FTE

Clean Fuels Program Registration and Tracking:
FY 2022: $479,864 and 2.42 FTE
FY 2023: $257,515 and 1.27 FTE
FY 2024 and ongoing: $60,867 and 0.4 FTE

Notes on costs by object:

Salary estimates are current biennium actual rates at Step L.
Benefits are the agency average of 36.7% of salaries.
Personal Service Contracts include $200,000 in FY 2022 for outside technical expertise to forecast fuel supplies and update modeling tools, $200,000 in FY 2022 for independent analysis of the information specified in section 10 (1) (c), and $86,909 in FY 2022 and $75,467 each year in FY 2024 and ongoing to determine fuel cost savings. Also included are $51,802 in FY 2022 and $32,340 in FY 2023 for quality assurance management and review for the Clean Fuels Tracking System development, and $200,000 in FY 2022 and $300,000 in FY 2023 for technical consultation and stakeholder facilitation related to section 28.
Goods and Services are the agency average of $4,144 per direct program FTE. Additional Goods and Services costs include rulemaking facility costs of $6,000 in FY 2022 and stakeholder meeting facility costs of $4,000 in FY 2023 and ongoing each fiscal year thereafter.
Also included is an interagency agreement with Department of Commerce estimated to be $204,492 in FY 2022, $104,492 in FY 2023 and $62,694 in FY 2024 and ongoing.
Consistent with ATG estimates, $122,000 in FY 2022 and $48,000 in FY 2023, is included in Object E for AAG support for this bill.
Travel is the agency average of $2,182 per direct program FTE.
Equipment is the agency average of $1,201 per direct program FTE.
Agency Administrative Overhead is calculated at the federally approved agency indirect rate of 27.4% of direct program salaries and benefits, and is shown as object 9. Agency Administrative Overhead FTEs are included at 0.15 FTE per direct program FTE, and are identified as Fiscal Analyst 2 and IT App Development – Journey.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	2,308,487	1,232,371	3,540,858	0	0
NEW-1	Clean Fuels Program Account	State	0	342,258	342,258	1,601,339	1,601,339
		Total $	2,308,487	1,574,629	3,883,116	1,601,339	1,601,339

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	8.3	7.9	8.1	5.0	5.0
A-Salaries and Wages	679,197	593,944	1,273,141	718,626	718,626
B-Employee Benefits	249,266	217,980	467,246	263,738	263,738
C-Professional Service Contracts	738,711	332,340	1,071,051	150,934	150,934
E-Goods and Other Services	362,452	184,795	547,247	169,440	169,440
G-Travel	15,777	14,902	30,679	18,985	18,985
J-Capital Outlays	8,682	8,202	16,884	10,447	10,447
9-Agency Administrative Overhead	254,402	222,466	476,868	269,169	269,169
Total $	2,308,487	1,574,629	3,883,116	1,601,339	1,601,339

In addition to the estimates above, there are additional indeterminate costs and/or savings. Please see discussion.

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
COM OUTREACH & ENV ED SP 4	70,956	0.1	0.3	0.2	0.3	0.3
ECONOMIC ANALYST 3	82,344		0.3	0.1		
ENVIRONMENTAL ENGINEER 2	82,344	0.3	0.3	0.3	0.3	0.3
ENVIRONMENTAL ENGINEER 5	105,384	0.1	0.1	0.1		
ENVIRONMENTAL PLANNER 3	78,408	1.3	0.8	1.0	0.3	0.3
ENVIRONMENTAL PLANNER 4	86,484	1.0	1.1	1.1	1.0	1.0
ENVIRONMENTAL PLANNER 5	95,484	1.4	0.9	1.2	0.5	0.5
ENVIRONMENTAL SPEC 3	61,224	0.2	0.2	0.2	0.2	0.2
ENVIRONMENTAL SPEC 4	70,956		1.0	0.5	1.0	1.0
ENVIRONMENTAL SPEC 5	78,408	0.1	0.3	0.2	0.1	0.1
FISCAL ANALYST 2		0.7	0.7	0.7	0.4	0.4
IT APP DEVELOP-JOURNEY	96,888	0.3		0.1		
IT APP DEV-JOURNEY (Admin)		0.4	0.3	0.4	0.2	0.2
IT APP DEV-MANAGER	123,636	0.1	0.1	0.1		
IT APP DEV-SR/SPECIALIST	112,176	2.0	1.0	1.5	0.3	0.3
REGULATORY ANALYST 2	80,292		0.1	0.1		
WMS BAND 1	87,000	0.4	0.4	0.4	0.4	0.4
Total FTEs		8.3	7.9	8.1	5.0	5.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .

Sections 3 through 8 and 14 of the bill would require complex rulemaking because they create a new program that would have broad public interest and would institute a new fee. Rulemaking to establish the program would need to be complete by January 1, 2023. Ongoing intermittent rulemaking each odd year thereafter would be required to develop verification programs, update fuels eligible for credits, and update carbon intensity values.

E3SHB.PL 1091 Clean Fuel Standard - Department of Ecology Fiscal Note Expenditure Overview

4/29/2021

OPERATING BUDGET	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Rulemaking (Sections 3 through 8, & 14)	**350,527**	**266,393**	**14,408**	**86,449**	**14,408**	**86,449**
Total FTEs	2.2	1.7	0.1	0.7	0.1	0.7
Staff costs	294,527	218,393	14,408	86,449	14,408	86,449
AAG (Object E)	53,000	48,000	-	-	-	-
Public Meeting Facility Costs (Object E)	3,000	-	-	-	-	-
Clean Fuels Program Implementation (Sections 2-14 & 28)	**1,478,096**	**1,050,721**	**689,374**	**689,374**	**689,374**	**689,374**
Total FTEs	3.7	4.9	4.3	4.3	4.3	4.3
Staff costs	514,695	642,229	547,213	547,213	547,213	547,213
Professional Services Contracts	686,909	300,000	75,467	75,467	75,467	75,467
IAA with Commerce (Section 12)	204,492	104,492	62,694	62,694	62,694	62,694
AAG (Object E)	69,000	-	-	-	-	-
Meeting Facilities, Section 7 Stakeholder Advisory Meetings	3,000	4,000	4,000	4,000	4,000	4,000
IT Systems for Registration and Reporting (Sections 4 & 8) - Total	**479,864**	**257,515**	**60,867**	**60,867**	**60,867**	**60,867**
Baseline Subtotal	***123,730***	***123,730***	***60,867***	***60,867***	***60,867***	***60,867***
QA Requirements Subtotal	***356,134***	***133,785***	**-**	**-**	**-**	**-**
Total FTEs	2.4	1.3	0.4	0.4	0.4	0.4
Baseline FTE	*0.7*	*0.7*	*0.4*	*0.4*	*0.4*	*0.4*
Additional FTE for QA Requirements	*1.7*	*0.6*	-	-	-	-
Staff costs	428,062	225,175	60,867	60,867	60,867	60,867
Baseline Staff Costs	*123,730*	*123,730*	*60,867*	*60,867*	*60,867*	*60,867*
Additional Staff Costs for QA Requirements	*304,332*	*101,445*	-	-	-	-
Professional Services Contract for QA Review	51,802	32,340	-	-	-	-
ECOLOGY TOTAL OPERATING FTEs	**8.3**	**7.9**	**4.7**	**5.3**	**4.7**	**5.3**
ECOLOGY TOTAL OPERATING EXPENDITURES	**2,308,487**	**1,574,629**	**764,649**	**836,690**	**764,649**	**836,690**

*Total FTEs include 0.15 FTE administrative overhead. Staff costs include salary and benefits, travel, equipment, goods and services, and administrative overhead.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 1091 3S HB PL	**Title:** Transportation fuel/carbon

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- [ ] Cities:
- [ ] Counties:
- [ ] Special Districts:
- [ ] Specific jurisdictions only:
- [ ] Variance occurs due to:

Part II: Estimates

- [X] No fiscal impacts.
- [ ] Expenditures represent one-time costs:
- [ ] Legislation provides local option:
- [ ] Key variables cannot be estimated with certainty at this time:

Estimated revenue impacts to:

None

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Tammi Alexander	Phone: 360-725-5038	Date: 05/03/2021
Leg. Committee Contact:	Phone:	Date: 04/26/2021
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 05/03/2021
OFM Review: Lisa Borkowski	Phone: (360) 902-0573	Date: 05/11/2021

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government .

CHANGES IN THIS BILL VERSION AS PASSED BY THE LEGISLATURE:
- adds standard of achieving greenhouse gas emissions per unit of transportation fuel energy to 20 % below 2017 levels by 2035
- excludes exported fuel, fuel for vessels, locomotives, and aircraft from the emission reduction requirements
- adds programs requirements for credits
- requires a separate additive transportation funding act be passed generating more than $500m per biennium before the Department of Ecology may assign compliance obligations or allow for credit generation

CHANGES FROM THE PREVIOUS VERSION:
This bill version as amended in the Senate by the Ways & Means Committee makes the following changes:
- defines "regulated party"
- adds several program design requirements for Ecology regarding credits generated compliance , monitoring, and calculation
- removes the previous 2028 standard of 10 percent below 2017 levels and instead provides that the rules adopted by the Ecology phase-in in carbon intensity reduction not to exceed 0 .5 percent a year in 2023 and 2024, 1 percent a year beginning in 2025 through 2027, 1.5 percent a year in 2028 through 2031, and 2.5 percent a year beginning in 2032 through 2034
- adds that the rules must not establish a reduction level beyond 10 percent of greenhouse gas emissions attributable to each unit of the fuels without explicit legislative authorization enacted subsequent to January 1 , 2029
- adds requirement of the passage of a separate additive transportation funding act generating more than $500 million per biennium in revenue before Ecology may assign compliance obligations or allow for actual credit generation in order to coordinate and synchronize the CFP with other transportation-related investments
- requires Ecology to evaluate the net cumulative GHG emissions for new or expanded low-carbon fuel production facilities that would require a SEPA review
- requires 50 percent of revenues earned by an electric utility from generating credits under the CFP to be used for activities and projects jointly determined by Ecology and the Washington State Department of Transportation that have the highest impact on reducing greenhouse gas emissions and decarbonizing the transportation sector
- adds a new section requiring Ecology to issue an order declaring a forecast deferral if the fuel supply forecast projects that the amount of credits available during the compliance period will be less than 100 percent of the credits projected to be necessary to comply with the CFP
- adds directives for Ecology or adopting standards based on the periodic fuel supply forecast

This bill version does not create any new fiscal impacts for local governments .

CHANGES FROM THE ENGROSSED THIRD SUBSTITUTE VERSION:
This bill version as amended by the Senate Environment, Energy, & Technology Committee makes the following changes:
- connects zero-emission certification requirements to the supply of fuel to metered customers for electric vehicle charging or refueling
- requires mechanisms for the assignment of credits to electric utilities only within their utility service areas
- revises the requirements and processes by which the Department of Commerce must develop periodic fuel supply forecasts
- limits emergency deferrals of compliance to extreme and unusual circumstances , including natural disasters, acts of God, and significant supply chain disruptions
- limits such deferrals to the shortest time necessary to address the extreme and unusual circumstances
- allows the Department of Ecology the discretion to issue full or partial deferrals for one calendar quarter to persons who are unable to comply with the program's requirements for reasons beyond their control
- removes the initiation of a least conflict priority program by Washington State University's energy program for the siting of clean energy projects
- removes the requirement for the Department of Ecology to periodically convene with the Department of Commerce and other stakeholders to discuss issues such as tax avoidance and mitigation of environmental impacts

CHANGES FROM THIRD SUBSTITUTE VERSION:
The engrossed third substitute bill removes the requirement for the Department of Ecology to accelerate the environmental review process for transportation fuels with low carbon intensity. It also adds additional program cost containment mechanisms. It also permits the Department of Ecology to issue emergency deferrals if there is a shortage of a fuel needed for entities to comply with the clean fuel standards.

CHANGES FROM SECOND SUBSTITUTE VERSION:
The third substitute bill adds a requirement that the Department of Ecology improve its internal processes to expedite the processing of

environmental reviews under the State Environmental Policy Act and for permit application for projects related to the production of low-carbon transportation fuels.

CHANGES FROM FIRST SUBSTITUTE VERSION:
- adds the following qualifying language to multiple sections, "absent explicit legislative authorization enacted subsequent to July 1 , 2015"
- adds "to the extent that the requirements of this section conflict with the requirements of chapter 70A RCW (create by section 24 of this bill) the requirements of chapter 70A RCW" to section 22 and 23

CHANGES FROM ORIGINAL BILL VERSION:
- clarifies that the Clean Fuels Program's standards must reduce overall , aggregate carbon intensity, rather than the carbon intensity achieved by any individual type of transportation fuel;
- eliminates the exemption for electricity from carbon intensity reduction requirements; requires the Department of Ecology's (Ecology) Clean Fuels Program rules to include a mechanism for certifying electricity that has a carbon intensity of zero and to allow the assignment of credits to electric utilities for electricity used, at minimum, for residential electric vehicle charging or fueling;
- authorizes Ecology's rules to allow the generation of credits from the fueling of electric vehicles by commercial entities that are not electric utilities;
- eliminates the requirement that transactions of opt-in fuels be accompanied by documentation assigning Clean Fuels Program compliance responsibility, but authorizes Ecology to require such documentation;
- authorizes utility investment, from Clean Fuels Program revenues, in projects that support the production and provision of green hydrogen that is manufactured using electricity that meets Clean Energy Transformation Act standards but that is not generated solely from renewable resources;
- requires an independent analysis of the anticipated probable costs or cost savings attributable to the Clean Fuels Program per gallon of gasoline and per gallon of diesel to be submitted to the Legislature by December 1 , 2021;
- directs Ecology's rules governing the expenditure of utility Clean Fuels Program revenues to require up to 50 percent of utility revenues to be used for the establishment of a clean fuel reward program that provides a price reduction on new electric vehicle purchases or leases in Washington
- makes technical corrections.

ORIGINAL BILL
The original bill requires the Department of Ecology to establish the Clean Fuels Program to reduce the carbon intensity of transportation fuels in Washington, as measured by the life-cycle GHG emissions per unit of fuel energy . The Clean Fuels Program must take effect by January 1, 2023. By December 31, 2031, Ecology must adopt standards that are consistent with the state achieving the emissions reductions established in RCW 70A.45.020.

The bill would take effect 90 days after final adjournment of the session in which it was enacted .

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments , identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This bill as passed by the legislature does not impact local government expenditures.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments , identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This bill as passed by the legislature does not impact local government revenues .

Source:
Senate Bill Report, E3SHB 1091, Ass Passed Senate (04/08/2021)